

BEFORE THE ILLINOIS COMMERCE COMMISSION
OFFICIAL FILE

I.C.C. DOCKET NO. Docket No. 01-0662
Ameritech Exhibit No. 15.1

Witness _____
Date 6/18/02 Reporter SS

Surrebuttal Testimony of Rhonda J. Johnson
On Behalf of Ameritech Illinois

Ameritech Illinois Exhibit 15.1

June 5, 2002

TABLE OF CONTENTS

I.	INTRODUCTION AND PURPOSE OF TESTIMONY	1
II.	STATUS OF COMPETITION	2
III.	SCOPE OF PROCEEDING.....	3
IV.	COMPLIANCE WITH COMMISSION ORDERS.....	6
V.	PRICING POLICY ISSUES	13
VI.	CONCLUSION	17

SURREBUTTAL TESTIMONY OF RHONDA J. JOHNSON
ON BEHALF OF AMERITECH ILLINOIS

I. INTRODUCTION AND PURPOSE OF TESTIMONY

Q. Please state your name and business address.

A. Rhonda J. Johnson, 225 West Randolph Street, Floor 27B, Chicago, Illinois 60606.

Q. By whom are you employed and in what capacity?

A. I am the Vice President-Regulatory Affairs for Illinois Bell Telephone Company
("Ameritech Illinois").

Q. Are you the same Rhonda J. Johnson who submitted rebuttal testimony in this proceeding?

A. Yes.

Q. What is the purpose of your surrebuttal testimony?

A. The purpose of my surrebuttal testimony is to respond to the rebuttal testimony of Staff and the CLECs on certain policy issues. Specifically, I will address issues associated with the status of competition in Illinois, the appropriate scope of this proceeding, Ameritech Illinois' history of compliance with this Commission's orders, and certain pricing policy issues.

24 **II. STATUS OF COMPETITION**

25
26 **Q. Staff and the CLECs continue to claim that the Illinois marketplace is not open to**
27 **competitors and/or that competition is dying. Would you comment?**

28 A. Yes. As I indicated in my rebuttal testimony, I do not believe that either Staff or the
29 CLECs are presenting a balanced assessment of the level of competition in Illinois. I
30 pointed to WorldCom, Inc.'s announcement of its "Neighborhood" plan. Almost
31 simultaneously with the filing of my rebuttal testimony, AT&T announced a major new
32 initiative of its own. According to its press releases, AT&T will enter the Illinois
33 marketplace in June using the UNE-P as a serving vehicle. AT&T is already a major
34 provider of local telecommunications service and Internet access service using cable and
35 other facilities which it owns. Corporations of the size and reputation of AT&T and
36 WorldCom do not stake money and their reputation on entering a market if they believe
37 entry to be futile. A copy of the AT&T press release and sample advertising that has been
38 sent to Illinois consumers is attached to Ms. Heritage's testimony. Despite the clear
39 evidence that the local market is open to entry, and that CLECs are entering, Staff does
40 not believe the Illinois local market is "competitive." Whatever standard Staff is using to
41 reach that conclusion, it is not consistent with the competitive analysis used by the FCC
42 in Section 271 applications. In contrast to Staff's approach, the FCC does not employ
43 "market share" or other "effective competition" tests because those approaches were
44 rejected by Congress. Rather the key issue for purposes of this Section 271 proceeding is
45 whether the criteria of Track A has been met. On that issue there is no dispute, from
46 either Staff or the CLECs.

47 **III. SCOPE OF PROCEEDING**

48
49 **Q. Both Staff and certain CLECs have taken issue with Ameritech Illinois' position on**
50 **the appropriate scope of this proceeding.**

51 A. As I explained in my rebuttal testimony, the focus of this proceeding should be on
52 Ameritech Illinois' compliance with Section 271 requirements, as those requirements
53 have been defined by Congress in Section 271 and implemented by the FCC in over a
54 dozen Section 271 Orders. As part of the federal approval process, the FCC will be
55 asking this Commission to consult on checklist compliance and the purpose of this
56 proceeding is to provide a factual record on which this Commission can base its
57 consultative recommendation. That is why I expressed concern over the fact that Staff
58 and certain CLECs have raised a wide range of issues which go beyond the federal
59 statutory requirements for Section 271 approval and, therefore, are not relevant to the
60 FCC's decision-making process.

61
62 **Q. Staff witness Mr. Hoagg contends that the Commission's order initiating this**
63 **investigation supports Staff's broad-ranging approach to the issues. (Staff Ex. 18.0,**
64 **pp. 2-4). Do you agree?**

65 A. No. Obviously, only the Commissioners themselves know what they intended when they
66 issued that order. However, I do not read it as mandating or even encouraging Staff's
67 approach. The initiating order clearly identified Ameritech Illinois' compliance with the
68 competitive checklist as the primary focus of these proceedings. (Order, p. 3). I agree
69 with Mr. Hoagg that the Commission also referred to "related public interest issues" in
70 this regard. (Staff Ex. 18.0, p. 2). However, read in context, I understood these public

71 interest issues to be primarily those which the FCC has identified in the course of its
72 Section 271 application review process. (Order, p. 2).

73
74 Mr. Hoagg attaches great significance to the fact that the Commission did not preclude
75 parties from addressing public interest issues that were unrelated to the checklist:

76 "To the extent a particular public interest issue is unrelated to the competitive
77 checklist, but a party believes it is important to the development of competition in
78 Illinois, the party is free to comment on such issue." (Order, p. 3).

79
80 This is hardly a mandate. Moreover, to the extent the public interest issue raised by Staff
81 or a CLEC expands the competitive checklist, it would be contrary to the statutory
82 requirements in Section 271.

83
84 In short, I agree with Mr. Hoagg that Staff could raise the non-checklist issues that it did.
85 My point was that Staff's decision not only to do so, but to make them the overwhelming
86 focus of its case and, in many cases, to advocate positions that would effectively expand
87 the competitive checklist, has significantly complicated the record in this proceeding.

88
89 **Q. Mr. Hoagg takes issue with your statement that the Commission will not be making**
90 **"its own policy or legal decisions" in this proceeding. (Staff Ex. 18.0, p. 5). Please**
91 **respond.**

92 **A.** Mr. Hoagg is misinterpreting my prior statement. I did not mean to suggest that the
93 Commission does not play an important role in the Section 271 process or that it will not
94 be making important decisions in resolving the disputed checklist issues or that the
95 Commission does not have any policy-making authority. My point was limited to this

96 proceeding, and to the undisputed fact that under the federal Telecommunications Act of
97 1996, the requirements for Section 271 compliance are defined by statute. The FCC has
98 the statutory authority, rather than this Commission, to decide whether Ameritech Illinois
99 has met those Section 271 requirements. Thus, even if this Commission may make
100 findings on non-checklist related issues it is my understanding that the FCC is required
101 to disregard them if they exceed the statutory requirement. For example, if the
102 Commission were to conclude as Dr. Liu implies, that the local market is not sufficiently
103 “competitive” or that Ameritech Illinois has not lost enough “market share” the FCC
104 could not grant such findings any weight in its Section 271 deliberations for Illinois
105 because those “tests” are contrary to the statutory requirements in Section 271. Under
106 these circumstances, the Company questions the efficacy of spending costly regulatory
107 time and resources in this proceeding on issues that will not be of use to the FCC.

108
109 Of course I agree with Mr. Hoagg that the Illinois General Assembly has taken state-
110 specific actions to open the Illinois market to competition. (Staff Ex. 18.0, pp. 7-9). And
111 I agree that such requirements are appropriate for consideration in proceedings where the
112 Illinois Commerce Commission is making its own decisions on what should be required
113 of Ameritech Illinois under Illinois law and/or developing competitive policies for this
114 state. However, Track A criteria and checklist compliance are not based on state law, and
115 Mr. Hoagg’s protestations to the contrary can not make it so.

116

117 **Q. Ms. Campion cites to the FCC's 1997 Michigan 271 Application Order for the**
118 **proposition that state law compliance is a federal public interest issue. (WorldCom**
119 **Ex. 6.1, pp. 4-5). Do you agree that this language is still relevant?**

120 **A.** No. This Michigan application was the first Section 271 application to be reviewed by
121 the FCC and the FCC was just beginning to develop its policies. Ms. Campion relies on
122 the Michigan 271 Order because, as I understand it, this is the one and only FCC Section
123 271 order in which state law compliance is mentioned. Since then, the FCC has
124 developed its view of what the "public interest" involves and, as I indicated in my
125 rebuttal testimony, state law compliance is not one of the issues. The Commission's
126 initiating order reflects the same understanding. (Order, p. 2).

127
128 **IV. COMPLIANCE WITH COMMISSION ORDERS**

129
130 **Q. Staff witness Mr. Feipel takes issue with your prior statements that many of the**
131 **"noncompliance" issues he raised simply represent disagreements between the**
132 **Company and Staff. (Staff Ex. 19.0, pp. 1-2). Please comment.**

133 **A.** Mr. Feipel has not addressed many of the specific examples that I provided where the
134 term "noncompliance" was inappropriate. Instead, he has now offered a reduced list of
135 "offenses" which is limited to three requirements stemming from the original TELRIC
136 order: (1) the inclusion of transiting language in Ameritech Illinois' tariffs; (2) the
137 identification of which NRCs applied to CLECs subscribing to UNE combinations; and
138 (3) shared transport.

139

I disagree with Mr. Feipel that the transiting issue involved “noncompliance.” There is no question that Ameritech Illinois included transiting language in its compliance tariff and provided supporting cost studies, which is what the original TELRIC order required. In the TELRIC compliance docket, the Commission ultimately rejected one adjustment to one cost element in the transiting rate as not supported by a cost study. (Docket 98-0396 Order, p. 53). Consistent with the order, Ameritech Illinois refiled the tariff with new rates that eliminated this adjustment. In my view, this is a routine cost study issue and is not appropriately treated as a “compliance” problem.

I agree with Mr. Feipel that the application of nonrecurring charges to UNEs proved to be a contentious issue in that proceeding. I also agree that the Commission’s order ruled against the Company on that issue. (Docket 98-0396 Order, pp. 73-74). On May 10, 2002, Ameritech Illinois filed tariffs complying with the Order on Rehearing in Docket 98-0396. Ameritech Illinois tariffs now identify which NRCs apply to UNE combinations. Therefore, this is no longer an issue.

With respect to shared transport, I agreed with Mr. Feipel that this issue has been the subject of considerable dispute between Ameritech Illinois and the Commission since the original TELRIC Order. It is now resolved, however, and, as I indicated in my rebuttal testimony, I see no value in continuing to debate it.

Mr. Feipel alleges, on page 3 of his reply testimony, that the FCC’s NAL on shared transport indicates noncompliance with the FCC SBC/Ameritech Merger Order. First and

163 foremost an “apparent notice of liability” is not a finding of liability. We disagree with
164 the NAL and the matter is currently pending before the FCC. Even if the NAL is decided
165 against SBC, Ameritech Illinois would not be required to change its shared transport
166 offering. This is because Ameritech Illinois has provided shared transport since
167 September 2001, in a manner that allows CLECs using the UNE-P to provide local and
168 intraLATA toll services to their own end user customers. Therefore, as stated above, it
169 does not make sense to continue the debate.
170

171 **Q. Mr. Feipel contends that, although “issues raised by Staff for the first time in this**
172 **docket would not have a history of compliance”, they would nevertheless be**
173 **examples of Ameritech Illinois’ “overall history of noncompliance”. (Staff Ex. 19.0,**
174 **p. 4). Does this statement make any sense to you?**

175 **A.** No. I do not understand how an issue raised for the first time in this proceeding could
176 demonstrate “noncompliance.” Mr. Feipel has pointed to contested issues between
177 Ameritech Illinois and Staff. These issues represent differences in views on what Illinois
178 law requires or should require. Ameritech Illinois and Staff have disagreed in the past
179 and will continue to disagree in the future over any number of issues. As I stated in my
180 rebuttal testimony, these types of disagreements do not constitute “noncompliance.”
181

182 **Q. Mr. Feipel also contends that a tariff “fully compliant” with Section 13-801 is not**
183 **yet in effect. (Staff Ex. 19.0, p. 6). Please comment.**

184 **A.** Ameritech Illinois and Staff disagree on the proper interpretation of Section 13-801 in a
185 number of areas. These disputes are pending in Docket 01-0614 and will be resolved

186 soon. Again, the fact that the Company and Staff disagree does not equate to
187 “noncompliance.” It is anticipated that the Commission will release its orders in Docket
188 01-0614 in June. We intend to comply with the Commission’s order.

189
190 **Q. Ms. Campion also raises noncompliance issues, pointing to the Commission’s orders**
191 **in Docket Nos. 99-0593 and 00-0093. (WorldCom Ex. 6.1, pp. 6, 8-9; WorldCom**
192 **Ex. 6.0, pp. 19-20). Please comment.**

193 **A.** The Commission’s Order in Docket 99-0593 required parity between the application of
194 loop conditioning charges to retail customers and to wholesale customers. Ms. Campion
195 expresses concern that Ameritech Illinois may not be in compliance with that Order
196 because advertisements for Ameritech’s DSL service suggest that recurring charges may
197 be waived. Ms. Campion is incorrect.

198
199 First, the DSL information service to which she refers is not provided by Ameritech
200 Illinois. It is provided to customers as part of a bundled internet access service by
201 Ameritech Interactive Media Services, Inc. (“AIMS”), which is an Internet Service
202 Provider (“ISP”). Moreover, AIMS does not obtain DSL transport from Ameritech
203 Illinois. As explained by Mr. Habeeb, AADS sells DSL transport to AIMS (and other
204 ISPs) and does so under a FCC tariff. This FCC tariff provides AIMS and other ISPs
205 with DSL transport at a fixed monthly rate. As a result, AIMS does not separately pay
206 AADS conditioning charges and, therefore, has no reason to establish nonrecurring
207 charges for its customers.

Ameritech Illinois' role in this product offering is limited to providing AADS the UNE building blocks and collocation, which it requires for its DSL transport service. Ameritech Illinois charges AADS for loop conditioning on the same terms and conditions as it charges all CLECs. However, for its pricing of DSL service to its ISP customers, AADS developed an average monthly rate which covered all of its costs (including conditioning charges). This average monthly rate is contained in the FCC tariff I referred to previously. This was a business decision which any CLEC could make.

In short, Ameritech Illinois is complying with the Commission's special construction Order and the separate pricing decisions of AADS and AIMS have no bearing on this issue.

With respect to the Commission's Order in Docket 00-0393, Ms. Campion expresses concern that Ameritech Illinois did not file a tariff which would make available the high frequency portion of the loop consistent with the Commission's Amendatory Order on October 16, 2001. The March 14, 2001 Order in this docket imposed unbundling requirements on the Company's Project Pronto facilities. As Ms. Chapman has explained, Ameritech Illinois had halted deployment of Project Pronto immediately following the March 2001 Order in Docket 00-0393. The October 16, 2001 Amendatory Order did not change Ameritech Illinois' decisions regarding Pronto deployment. Thus, there was nothing to tariff. The Company's decision to halt deployment was well known to the Commission. With the issuance of the Commission's recent final order in Docket 00-0393, dated March 28, 2002, the Company has commenced deployment of Project

Pronto on a limited basis and has filed appropriate tariffs to implement that Order. These tariffs became effective on May 14, 2002.

Q. Mr. Feipel attempts to use your statement that service cost studies have been disputed since the late 1970's in support of his noncompliance argument. (Staff Ex. 19.0, pp. 5-6). Is that reasonable?

A. No. The mere fact that service cost studies are contested does not mean that Ameritech Illinois is willfully disregarding Commission orders. My point was that the Company's cost studies have been the subject of disputes for many years because of the close relationship between service costs and rate levels. Whenever Ameritech Illinois has proposed rate increases for services, contested proceedings almost always ensue, regardless whether the rates in question involve retail or wholesale services. If Staff and/or an affected user group opposes the rate increases, then the service cost studies always become a major battleground. For the same reason, the determination of revenue requirements for companies under rate-of-return regulation is always hotly contested. The lower the overall revenue requirement, the lower the resulting rate increases. It makes no sense to characterize these controversies in terms of "compliance" or "noncompliance". They are simply part and parcel of the regulatory process.

I would also note that whether Staff has opposed the Company's service cost studies has varied widely, depending on the regulatory philosophy of the Commission and Staff itself at different points in time. For example, in the 1980s, it is my understanding that Staff supported increases in residential rates to bring them more in line with economic costs

255 and a competitive marketplace. Not coincidentally, this was a period when the Company
256 and Staff had far fewer disagreements over cost study issues. During that period, cost
257 issues were more typically raised by affected user groups, such as consumers (when
258 residence rate increases were proposed), users of private line services, such as alarm
259 companies (when private line rate increases were proposed), and so forth.

260
261 **Q. Mr. Hoagg contends that the remand of the Kansas & Oklahoma 271 Order has**
262 **more significance than you gave it credit. (Staff Ex. 18.0, p. 14). Please comment.**

263 A. I did not suggest that the "price squeeze" issue raised in the Kansas/Oklahoma
264 proceedings was "totally insignificant," as Mr. Hoagg states. My point was that the
265 FCC's Section 271 orders have been thorough and comprehensive, and consistently
266 upheld by the Appellate Courts, with only this one exception. I do not believe that a
267 remand on one issue warrants Staff's apparent lack of regard for the numerous standards
268 which the FCC has developed with great deliberation over the course of numerous
269 Section 271 applications.

270
271 With respect to the Kansas/Oklahoma issue in particular, I do not intend to debate
272 whether the remand was "narrow" or not from a legal perspective. The Company will
273 discuss this issue in its brief. I would note, however, that the Appellate Court found only
274 this one problem in the FCC's order and did not consider it significant enough to reverse
275 the FCC's grant of long-distance authority.

276

V. PRICING POLICY ISSUES

Q. Mr. Hoagg concedes that the FCC does not require that wholesale products be tariffed. However, he continues to insist that it is required as a matter of Illinois law and that the issue belongs in this proceeding. (Staff Ex. 18.0, pp. 15-16). Please comment.

A. I continue to disagree with Mr. Hoagg, for all of the reasons stated in my rebuttal testimony. Whether or not the PUA requires tariffing is a legal issue which the Company will discuss at more length in its brief. However, Mr. Hoagg's concession that the FCC does not require tariffing makes it clear that this tariffing debate is not central to any issue which needs to be resolved in this proceeding.

Q. Has Staff disputed your assertion that virtually all of Ameritech Illinois' wholesale products are tariffed today?

A. No.

Q. Mr. Hoagg suggests that tariffing these few products would be a "fairly simple matter". (Staff Ex. 18.0, pp. 20-21). Do you agree?

A. No. In my experience, tariffing wholesale products is rarely a simple process. Mr. Koch's testimony makes clear that any tariff filing is likely to result in a docketed proceeding because of Staff's issues with wholesale service cost studies and/or a Staff-perceived need to "approve" every rate. From an administrative and resource perspective, it makes more sense to include these products in a broader-based UNE filing than to trigger multiple tariff review proceedings over offerings for which there is little demand.

301

302 **Q. Mr. Hoagg contends that your offer to tariff the handful of non-tariffed wholesale**
303 **products the next time Ameritech Illinois' UNE tariffs are updated is an**
304 **"acknowledgement of statutory tariffing requirement." Please comment.**

305 A. My offer was not intended as a concession and I do not believe it can reasonably be read
306 as one. It was simply an effort to eliminate an issue which is occupying more time in this
307 proceeding than it warrants.

308

309 **Q. Mr. Hoagg disagrees that his position reflects an objective to maintain Commission**
310 **"control" over every wholesale rate, term and condition. (Staff Ex. 18.0, pp. 23-24).**
311 **Please comment.**

312 A. Mr. Hoagg contends that "control" was a "less-than-apt" word choice on his part, and that
313 he simply meant "oversight." However, Staff's positions reveal otherwise. Mr. Hoagg
314 insists that every wholesale product must be tariffed, so that the Commission can exercise
315 its full suspension and review authority. Dr. Zolnierrek insists that the GIA must be
316 submitted for Commission approval and that no provision in the GIA can be altered
317 without prior Commission approval. Mr. Koch contends that every wholesale rate must
318 be affirmatively "approved" by the Commission -- even interim rates. He further insists
319 that every new service cost model and/or service cost study change must be submitted to
320 the Commission for prior approval before it can be used to support a wholesale tariff
321 filing. Viewed as a whole, adoption of Staff's policy recommendations would impose a
322 very high degree of Commission control on Ameritech Illinois' wholesale offerings.

323

324 **Q. Mr. Koch has modified his UNE rate-capping proposal by imposing a five-year limit**
325 **on it and Ms. Campion complains that you did not address her five-year rate-cap**
326 **proposal. (Staff Ex. 23.0, p. 24; WorldCom Ex. 6.1, pp. 15-18). Have you changed**
327 **your views?**

328 A. No. As I made clear in my rebuttal testimony, any cap on UNE rates would be
329 inappropriate. The Commission recently addressed a similar issue relating to rate
330 stability in its April 30, 2002 98-0396 Order on Reopening (page 15). The Commission
331 stated:

332 “...the appearance given off by the true-up provision pales in light of the
333 Commission’s statutory duty to approve just and reasonable rates. The CLECs
334 arguments are all premised on the theory that the ultimate NRCs for UNEs and
335 EELs will be too high. The unstated premise is that the rates would not be just
336 and reasonable. The CLECs can rest assured that the Commission will perform its
337 duty and establish just and reasonable rates.”
338

339 The critical issue is that rates must be to recover costs.
340

341 **Q. Does the FCC require that a 271 applicant’s UNE rates be capped?**

342 A. No. In fact, the FCC just addressed the issue of post-approval rate changes in the
343 BellSouth Section 271 Application for Georgia and Louisiana. In response to objections
344 by CLECs that there was a pending proceeding in Georgia where BellSouth was
345 proposing UNE rate increases, the FCC stated as follows:

346 “In this case, we do not believe that the existence of a new Georgia cost docket,
347 without more, should affect our review of the currently effective rates submitted
348 with BellSouth’s section 271 application. States review their rates periodically to
349 reflect changes in costs and technology. As a legal matter, we see nothing in the
350 Act that requires us to consider only section 271 applications containing rates
351 approved within a specific period of time before the filing of the application itself.
352 Such a requirement would likely limit the ability of incumbent LECs to file their

section 271 applications to specific windows of opportunity immediately after state commissions have approved new rates to ensure approval before the costs of inputs have changed. We doubt that Congress, which directed us complete our section 271 review process within 90 days, intended to burden the incumbent LECs, the states, or the Commission with the additional delays and uncertainties that would result from such a requirement. That a cost factor has changed does not always invalidate rates that were originally set according to a TELRIC process. As the D.C. Circuit states, “[i]f new [cost] information automatically required rejection of section 271 applications, we cannot imagine how such applications could ever be approved in this context of rapid regulatory and technological change.” (¶ 96).

Q. Mr. Koch contends that his pre-approval process for changes in service cost models is reasonable, because the additional delay which it engenders promotes “rate certainty” for the CLECs. (Staff Ex. 23.0, pp. 25-26). Do you agree?

A. No. I do not think that it is reasonable for Staff to propose processes which are explicitly justified on the grounds that they will make it more difficult for the Company to propose rate changes. As I just indicated, neither this Commission nor the FCC believe that “rate stability” concerns override the need to ensure that wholesale product prices are cost-based.

Q. Dr. Zolnierrek contends that your statement that Ameritech Illinois’ UNE rates are among the lowest in the country is unsupported. (Staff Ex. 20.0, pp. 36-37). Please respond.

A. I am surprised that Dr. Zolnierrek would take issue with this statement. It is generally recognized in the industry that UNE rates in the Ameritech region, including Ameritech Illinois’, are low. In fact, the CLECs have attempted to introduce Ameritech service cost studies in other jurisdictions (e.g., California) as a basis for reducing their UNE rates.

383
384 Attached as my Schedule RJJ-1 is portion of a November 12, 2001 analysis of basic
385 UNE-P rates performed by Commerce Capital Markets. A similar analysis with rates as
386 of January 1, 2002 is available on the National Regulatory Research Institute ("NRRI")
387 website (<http://www.nrri.ohio-state.edu/>) a portion of which is attached as my Schedule
388 RJJ-2. In both of these analyses, Ameritech Illinois ranks in the bottom three states in the
389 country in terms of basic UNE-P rates.

390

391 **VI. CONCLUSION**

392 **Q. Does this conclude your surrebuttal testimony?**

393 **A. Yes.**

ICC Docket No. 01-0662
Ameritech Illinois Ex. 15.1 (Johnson)
Schedule RJJ - 1

TABLE 2: BELL SOUTH

UNBUNDLED NETWORK ELEMENT RATE COMPARISON MATRIX

STATE	DENSITY	ACCESS LINES	% of TOTAL ACCESS LINES	LOOP RATE (per month)	PORT RATE (per month)	SWITCHING (per MOU)	ALL OTHER SWITCHING AND TRANSPORT	FEATURE COST	DUF	AMORTIZED NRC	BASIC UNEP COST *	BASIC UNEP COST + FEATURES **	FULL UNEP COST *
Alabama	Avg.	1,942	8%	\$19.04	\$2.07	\$ 0.002000	\$ 0.000970	\$2.14	\$2.48	\$0.13	\$21.60	\$23.74	\$28.35
	1			\$15.24									
	2			\$24.75									
	3			\$44.85									
Florida	Avg.	6,514	27%	\$15.81	\$1.34	\$ 0.000930	\$ 0.000370	\$0.00	\$7.19	\$0.14	\$17.34	\$17.34	\$24.52
	1			\$11.74									
	2			\$16.26									
	3			\$30.75									
Georgia	Avg.	4,115	17%	\$16.51	\$1.85	\$ 0.001789	\$ 0.000896	\$0.00	\$3.96	\$0.09	\$21.49	\$21.49	\$25.45
	1			\$14.21									
	2			\$16.41									
	3			\$26.08									
Kentucky	Avg.	1,232	5%	\$20.00	\$2.61	\$ 0.002562	\$ 0.001101	\$0.00	\$2.48	\$0.10	\$27.00	\$27.00	\$29.48
	1			\$13.54									
	2			\$19.73									
	3			\$28.27									
Louisiana	Avg.	2,351	10%	\$17.31	\$1.52	\$ 0.002048	\$ 0.000361	\$0.00	\$4.01	\$0.11	\$22.10	\$22.10	\$26.11
	1			\$12.90									
	2			\$23.33									
	3			\$48.43									
Mississippi	Avg.	1,326	6%	\$21.26	\$1.41	\$ 0.001188	\$ 0.000358	\$2.36	\$4.07	\$0.11	\$24.63	\$26.99	\$33.42
	1			\$12.03									
	2			\$16.87									
	3			\$25.68									
	4			\$43.85									
North Carolina	1	2,473	10%	\$15.88	\$2.19	\$ 0.001730	\$ 0.000910	\$2.44	\$2.48	\$0.06	\$21.12	\$23.56	\$28.48
South Carolina	Avg.	1,475	6%	\$22.49	\$2.35	\$ 0.002188	\$ 0.001100	\$2.42	\$2.48	\$0.07	\$28.67	\$31.10	\$35.99
	1			\$18.48									
	2			\$27.87									
	3			\$36.91									
Tennessee	Avg.	2,624	11%	\$14.92	\$1.89	\$ 0.000804	\$ 0.000984	\$0.00	\$2.48	\$0.14	\$18.51	\$18.51	\$20.98
	1			\$13.19									
	2			\$17.23									
	3			\$22.53									
BELLSOUTH REGIONWIDE AVG		24,052	100%	\$17.17	\$1.78	\$ 0.001516	\$ 0.000712	\$0.70	\$4.24	\$0.11	\$20.97	\$21.67	\$26.61
Range:	HIGH			\$22.49	\$2.61	\$ 0.002562	\$ 0.001101	\$2.44	\$7.19	\$0.14	\$28.67	\$31.10	\$35.99
	State			SC	KY	KY	KY	NC	FL	FL, TN	SC	SC	SC
	LOW			\$14.92	\$1.34	\$ 0.000804	\$ 0.000358	\$0.00	\$2.48	\$0.06	\$17.34	\$17.34	\$20.98
	State			TN	FL	TN	MS	FL, GA, KY, LA, TN	AL, KY, NC, SC, TN	NC	FL	FL	TN

Notes:

* Basic UNEP includes loop, port, and all switching and transport

** Basic UNEP with Features as all features to basic UNEP

*** Full UNEP adds amortized NRC and DUF to Basic UNEP with Features

UNBUNDLED NETWORK ELEMENT RATE COMPARISON MATRIX

COMMERCE CAPITAL MARKETS, INC.

TABLE 3: QWEST

STATE	DENSITY ZONES	ACCESS LINES (000s)	% of TOTAL ACCESS LINES	LOOP RATE (per month)	PORT RATE (per month)	SWITCHING (per MOU)	ALL OTHER SWITCHING AND TRANSPORT	FEATURE COST	DUF	AMORTIZED NRC	BASIC UNEP COST *	BASIC UNEP COST + FEATURES **	FULL UNEP COST ***
Arizona	Avg.	3,001	17%	\$21.98	\$1.61	\$0.002800	\$0.002919	\$1.46	\$0.37	\$0.17	\$30.31	\$31.77	\$32.31
	1			\$18.96									
	2			\$34.94									
	3			\$56.53									
Colorado	Avg.	2,950	16%	\$20.65	\$1.15	\$0.002830	\$0.003467	\$6.84	\$0.44	\$0.18	\$28.79	\$35.63	\$36.25
	BRA ^A			\$17.00									
	1			\$24.00									
	2			\$36.00									
Idaho	1	585	3%	\$25.52	\$1.34	\$0.002900	\$0.004791	\$1.40	\$0.47	\$0.18	\$34.70	\$36.10	\$36.74
	2			\$16.04									
	3			\$19.14									
	4			\$21.91									
Minnesota	Avg.	2,383	13%	\$17.87	\$1.08	\$0.001810	\$0.002824	\$0.00	\$0.54	\$0.02	\$24.11	\$24.11	\$24.67
	1			\$8.81									
	2			\$12.33									
	3			\$14.48									
Montana	Avg.	394	2%	\$28.37	\$1.58	\$0.004060	\$0.008918	\$0.93	\$0.49	\$0.17	\$41.95	\$42.88	\$43.54
	Base Rate			\$27.63									
	1			\$28.59									
	2			\$32.45									
Nebraska	Avg.	508	3%	\$15.79	\$1.95	\$0.003000	\$0.003837	\$1.02	\$0.54	\$0.39	\$25.02	\$26.03	\$26.96
	1			\$13.74									
	2			\$27.48									
	3			\$54.96									
New Mexico	Avg.	894	5%	\$20.50	\$1.38	\$0.0011083	\$0.001748	\$1.04	\$0.54	\$0.39	\$24.50	\$25.54	\$26.47
	1			\$17.75									
	2			\$20.30									
	3			\$26.23									

TABLE 3: QWEST

UNBUNDLED NETWORK ELEMENT RATE COMPARISON MATRIX (CONTINUED)

STATE	DENSITY ZONES	ACCESS LINES (000s)	% of TOTAL ACCESS LINES	LOOP RATE (per month)	PORT RATE (per month)	SWITCHING (per MOU)	ALL OTHER SWITCHING AND TRANSPORT	FEATURE COST	DUF	AMORTIZED NRC	BASIC UNEP COST *	BASIC UNEP COST + FEATURES **	FULL UNEP COST ***
North Dakota	Avg.	226	1%	\$19.75	\$1.27	\$0.002500	\$0.010103	\$1.04	\$0.54	\$0.20	\$30.97	\$32.01	\$32.76
	1			\$16.41									
	2			\$27.66									
	3			\$62.66									
Oregon	Avg.	1,522	8%	\$15.13	\$1.14	0.00133	\$0.002869	\$1.24	\$0.54	\$0.36	\$20.59	\$21.83	\$22.73
	1			\$13.95									
	2			\$25.20									
	3			\$56.21									
South Dakota	Avg.	272	2%	\$21.09	\$1.84	\$0.003469	\$0.003136	\$1.04	\$0.54	\$0.38	\$30.66	\$31.71	\$32.63
	1			\$17.01									
	2			\$18.54									
	3			\$24.37									
Utah	Avg.	1,140	6%	\$16.46	\$0.92	\$0.002491	\$0.002636	\$4.76	\$0.42	\$0.18	\$23.54	\$28.30	\$28.90
	urban			\$14.41	\$0.89	\$0.002299	\$0.002642						
	suburban			\$17.47	\$0.90	\$0.002664	\$0.002609						
	rural			\$24.14	\$1.02	\$0.002896	\$0.002643						
Washington	Avg.	2,647	15%	\$17.61	\$1.34	\$0.001200	\$0.002629	\$0.00	\$0.54	\$0.35	\$22.91	\$22.91	\$23.81
	1			\$7.36									
	2			\$13.58									
	3			\$15.35									
	4			\$17.30									
	5			\$23.27									
Wyoming	Avg.	274	2%	\$25.65	\$1.53	\$0.003753	\$0.002849	\$1.04	\$0.54	\$0.21	\$35.07	\$36.11	\$36.86
	BRA			\$19.05									
	1			\$31.83									
	2			\$40.11									
	3			\$58.43									
QWEST REGIONWIDE AVERAGE		17,961	100%	\$19.54	\$1.30	\$0.002223	\$0.003357	\$1.992775	\$0.48	\$0.22	\$26.80	\$28.79	\$29.49
Range:	HIGH			\$28.37	\$1.95	\$0.004060	\$0.010103	\$6.840000	\$0.54	\$0.39	\$41.95	\$42.88	\$43.54
	State			MT	NB	MT	ND	CO	MN,NB,NM ND,OR,SD,WA,WY	NB,NM	MT	MT	MT
	LOW			\$15.13	\$0.92	\$0.001108	\$0.001748	\$0.412700	\$0.37	\$0.02	\$20.59	\$21.83	\$22.73
	State			OR	UT	NM	NM	IA	AZ	MN	OR	OR	OR

Notes:

* Basic UNEP includes loop, port, and all switching and transport

** Basic UNEP with Features adds all features to basic UNEP

*** Full UNEP adds amortized NRC and DUF to Basic UNEP with Features

TABLE 4: SBC

UNBUNDLED NETWORK ELEMENT RATE COMPARISON MATRIX

STATE	DENSITY ZONES	ACCESS LINES (000s)	% OF TOTAL ACCESS LINES	LOOP RATE (per month)	PORT RATE (per month)	SWITCHING (per MOU)	ALL OTHER SWITCHING AND TRANSPORT	FEATURE COST	DUF	NRC	BASIC UNEP COST	BASIC UNEP COST + FEATURES **	FULL UNEP COST***
LEC - Ameritech													
Illinois	wtd. avg.	7,216	12%	\$9.53	\$5.01	\$0.000000	\$0.001262	\$0.00	\$0.45	\$1.04	\$16.05	\$16.05	\$17.55
	metro			\$2.59									
	suburban			\$7.07									
	rural			\$11.40									
Indiana	wtd. avg.	2,396	4%	\$8.32	\$5.34	\$0.000879	\$0.000981	\$0.00	\$0.39	\$2.10	\$16.16	\$16.16	\$18.65
	metro			\$8.03									
	suburban			\$8.15									
	rural			\$8.99									
Michigan	wtd. avg.	5,629	10%	\$10.16	\$2.53	\$0.001319	\$0.000730	\$0.00	\$0.33	\$0.07	\$15.54	\$15.54	\$15.94
	metro			\$8.47									
	suburban			\$8.73									
Ohio	wtd. avg.	4,306	7%	\$7.01	\$4.63	\$0.000842	\$0.001067	\$0.00	\$0.44	\$2.33	\$14.18	\$14.18	\$16.95
	urban			\$5.93									
	suburban			\$7.97									
	rural			\$9.52									
Wisconsin	wtd. avg.	2,294	4%	\$10.90	\$6.25	\$0.001319	\$0.001662	\$0.00	\$0.47	\$2.26	\$21.12	\$21.12	\$23.84
	suburban			\$10.90									
	rural			\$10.90									
LEC - Pacific Bell													
California	wtd. avg.	18,612	32%	\$11.70	\$2.88	\$0.005283	\$0.001469	\$2.25	\$0.00	\$0.00	\$24.27	\$26.52	\$26.52
	1			\$10.03									
	2			\$13.51									
	3			\$23.53									
Nevada	wtd. avg.	389	1%	\$20.52	\$1.63	\$0.00161	\$0.00721	\$0.00	\$0.00	\$0.00	\$33.22	\$33.22	\$33.22
	urban			\$11.77									
	suburban			\$22.64									
	rural			\$66.25									

UNBUNDLED NETWORK ELEMENT RATE COMPARISON MATRIX (CONTINUED)

TABLE 4: SBC

STATE	DENSITY ZONES	ACCESS LINES (000s)	% OF TOTAL ACCESS LINES	LOOP RATE (per month)	PORT RATE (per month)	SWITCHING (per MOU)	ALL OTHER SWITCHING AND TRANSPORT	FEATURE COST	DUF	NRC	BASIC UNEP COST	BASIC UNEP COST + FEATURES **	FULL UNEP COST***	
LEC - Southwestern Bell														
Arkansas	wtd. avg.	1,071	2%	\$13.09	\$1.61	\$0.001843	\$0.000435	\$0.35	\$1.49	\$0.13	\$17.99	\$18.34	\$19.95	
	urban			\$11.86		-								
	suburban			\$13.64		\$0.00131								
	rural			\$23.34		\$0.00169 \$0.00253								
Kansas	wtd. avg.	1,423	2%	\$13.30	\$1.61	\$0.002530	\$0.000435	\$0.35	\$1.49	\$0.13	\$19.23	\$19.58	\$21.19	
	urban			\$11.86		-								
	suburban			\$13.64		\$0.001310								
	rural			\$23.34		\$0.001690 \$0.001843								
Missouri	wtd. avg.	2,742	5%	\$15.19	\$1.89	\$0.002192	\$0.000595	\$0.00	\$0.00	\$0.19	\$21.08	\$21.08	\$21.28	
	urban			\$12.71		\$1.74								\$0.002391
	suburban			\$18.64		\$1.97								\$0.001620
	rural			\$19.74		\$2.47								\$0.001949
	MO-Spgfld			\$16.41	\$2.25	\$0.002807								
Oklahoma	wtd. avg.	1,712	3%	\$15.71	\$2.18	\$0.002259	\$0.000652	\$9.59	\$1.49	\$0.16	\$22.06	\$31.65	\$33.30	
	urban			\$12.14		\$2.18								\$0.002041
	suburban			\$13.65		\$2.21								\$0.001887
	rural			\$26.25		\$2.58								\$0.002850
Texas	wtd. avg.	10,348	18%	\$14.11	\$2.22	\$0.0015070	\$0.000399	\$0.35	\$1.49	\$0.18	\$19.07	\$19.42	\$21.08	
	Tx urban rate-4					\$1.58								\$0.0014244
	urban			\$12.14		\$2.47								\$0.0012691
	suburban			\$13.65		\$3.05								\$0.0011973
	rural-1			\$18.98	\$4.21	\$0.0021160								
SBC REGIONWIDE AVERAGE		58,138	100%	\$11.60	\$3.23	\$0.002514	\$0.001068	\$1.08	\$0.53	\$0.54	\$19.88	\$20.96	\$22.02	
Range:	HIGH State			\$20.52 NV	\$6.25 WI	\$0.005283 CA	\$0.007210 NV	\$9.59 OK	\$1.49 AK,KS,OK,TX	\$2.33 OH	\$33.22 NV	\$33.22 NV	\$33.30 OK	
	LOW State			\$7.01 OH	\$1.61 AR, KS	\$0.00000 IL	\$0.00040 TX	\$0.00 MO,NV	\$0.00 CA,NV	\$0.00 CA,NV	\$14.18 OH	\$14.18 OH	\$15.94 MI	
AMERITECH REGIONWIDE AVERAGE		21,841	38%	\$9.21	\$4.46	\$0.000741	\$0.001098	\$0.00	\$0.41	\$1.29	\$16.10	\$16.10	\$17.80	
Range:	HIGH State			\$10.90 WI	\$6.25 WI	\$0.001319 MI & WI	\$0.001662 WI	n/a	\$0.47 WI	\$2.33 OH	\$21.12 WI	\$21.12 WI	\$23.84 WI	
	LOW State			\$7.01 OH	\$2.53 MI	\$0.00 IL	\$0.00 MI	n/a	\$0.33 MI	\$0.07 MI	\$14.18 OH	\$14.18 OH	\$15.94 MI	
PACIFIC BELL REGIONWIDE AVERAGE		19,001	33%	\$11.88	\$2.85	\$0.005208	\$0.001587	\$2.20	\$0.00	\$0.00	\$24.45	\$26.65	\$26.66	
Range:	HIGH State			\$20.52 NV	\$2.88 CA	\$0.005283 CA	\$0.007210 NV	\$2.25 CA	n/a	n/a	\$33.22 NV	\$33.22 NV	\$33.22 NV	
	LOW State			\$11.70 CA	\$1.63 NV	\$0.00 NV	\$0.00 CA	\$0.00 NV	n/a	n/a	\$24.27 CA	\$26.52 CA	\$26.52 CA	
SOUTHWESTERN BELL REGIONWIDE AVG		17,296	30%	\$14.31	\$2.08	\$0.0017950	\$0.0004603	\$1.21	\$1.25	\$0.17	\$19.63	\$20.84	\$22.26	
Range:	HIGH State			\$15.71 OK	\$2.22 TX	\$0.0025300 KS	\$0.0006520 OK	\$9.59 OK	\$1.49 AR,KS,OK,TX	\$0.19 MO	\$22.06 OK	\$31.65 OK	\$33.30 OK	
	LOW State			\$13.09 AR	\$1.61 AR, KS	\$0.00 TX	\$0.000399 TX	\$0.000000 MO	\$0.00 MO	\$0.13 AR,KS	\$17.99 AR	\$18.34 AR	\$19.95 AR	
Notes:														
* Basic UNEP includes loop, port, and all switching and transport														
** Basic UNEP with Features adds all features to basic UNEP														
*** Full UNEP adds amortized NRC and DUF to Basic UNEP with Features														

UNBUNDLED NETWORK ELEMENT RATE COMPARISON MATRIX

TABLE 5: VERIZON

STATE	DENSITY ZONES	ACCESS LINES (000s)	% OF TOTAL ACCESS LINES	LOOP RATE (per month)	PORT RATE (per month)	SWITCHING (per MOU)	ALL OTHER SWITCHING AND TRANSPORT	FEATURE COST	DUF	AMORTIZED NRC	BASIC UNEP COST *	BASIC UNEP COST+ FEATURES **	FULL UNEP COST ***
LEC - NYNEX													
Maine	Avg.	760	2%	\$17.53	\$2.01	\$0.003197	\$0.001993	\$0.346600	\$0.06	\$0.00	\$17.30	\$17.65	\$17.71
	1			\$12.67	\$2.24								
	2			\$15.59	\$2.07								
	3			\$23.00	\$1.82								
Massachusetts	Avg.	4,589	10%	\$14.98	\$2.00	\$0.004724	\$0.001516	\$0.000000	\$0.00	\$0.02	\$25.89	\$25.89	\$25.90
	1			\$7.54									
	2			\$14.11									
	3			\$16.12									
	4			\$20.04									
New Hampshire	Avg.	825	2%	\$21.10	\$0.79	\$0.003233	\$0.001032	\$0.224300	\$0.06	\$0.07	\$27.98	\$28.20	\$28.33
	1			\$12.13									
	2			\$16.17									
	3			\$35.03									
New York	Avg.	12,253	27%	\$14.81	\$2.50	\$0.003806	\$0.002280	\$0.160000	\$0.00	\$0.00	\$25.75	\$25.91	\$25.91
	1			\$11.83									
	2			\$12.49									
	3			\$19.24									
Rhode Island	Avg.	681	2%	\$15.65	\$4.42	\$0.011880	\$0.003211	\$0.322500	\$0.06	\$0.00	\$41.74	\$42.06	\$42.12
	1			\$11.19	\$3.58								
	2			\$15.44	\$4.47								
	3			\$19.13	\$4.04								
Vermont	Avg.	378	1%	\$14.41	\$1.03	\$0.004003	\$0.000917	\$0.062500	\$0.06	\$0.00	\$22.54	\$22.61	\$22.67
	1			\$7.72									
	2			\$8.35									
	3			\$21.63									

TABLE 5: VERIZON

UNBUNDLED NETWORK ELEMENT RATE COMPARISON MATRIX CONTINUED

STATE	DENSITY ZONES	ACCESS LINES (000s)	% OF TOTAL ACCESS LINES	LOOP RATE (per month)	PORT RATE (per month)	SWITCHING (per MOU)	ALL OTHER SWITCHING AND TRANSPORT	FEATURE COST	DUF	AMORTIZED NRC	BASIC UNEP COST *	BASIC UNEP COST+ FEATURES **	FULL UNEP COST ***
LEC - BELL ATLANTIC D.C.	1	1,019	2%	\$10.81	\$1.55	\$0.003000	\$0.000405	\$0.000000	\$0.00	\$0.00	\$17.35	\$17.35	\$17.35
Delaware	Avg.	613	1%	\$12.05	\$2.23	\$0.003634	\$0.000122	\$0.000000	\$0.18	\$0.06	\$19.88	\$19.88	\$20.12
	1			\$10.07									
	2			\$13.13									
	3			\$16.67									
Maryland	Avg.	4,101	9%	\$14.50	\$1.895	\$0.003800	\$0.000353	\$0.000000	\$0.13	\$0.32	\$22.52	\$22.52	\$22.97
	1			\$12.11									
	2			\$12.85									
	3			\$25.96									
	4			\$18.40									
New Jersey	Avg.	7,030	16%	\$16.17	\$1.90	\$0.005418	\$0.000249	\$0.000000	\$0.18	\$0.00	\$26.50	\$26.50	\$26.68
	1			\$11.95									
	2			\$16.02									
	3			\$20.98									
Pennsylvania	Avg.	7,309	16%	\$14.03	\$1.90	\$0.001802	\$0.000144		\$0.13	\$0.01	\$18.81	\$18.81	\$18.95
	1			\$10.25									
	2			\$11.00									
	3			\$14.00									
	4			\$16.75									
Virginia	Avg.	4,460	10%	\$13.597	\$1.30	\$0.004129	\$0.000114	\$0.000000	\$0.00	\$0.00	\$21.23	\$21.23	\$21.23
	1			\$10.74									
	2			\$16.45									
	3			\$29.40									
West Virginia	Avg.	907	2%	\$24.58	\$1.60	\$0.008868	\$0.000670	\$0.000000	\$0.18	\$0.00	\$40.29	\$40.29	\$40.46
	1			\$14.49									
	2			\$22.04									
	3			\$43.44									

TABLE 5: VERIZON

UNBUNDLED NETWORK ELEMENT RATE COMPARISON MATRIX (CONTINUED)

STATE	DENSITY ZONES	ACCESS LINES (000s)	% OF TOTAL ACCESS LINES	LOOP RATE (per month)	PORT RATE (per month)	SWITCHING (per MOU)	ALL OTHER SWITCHING AND TRANSPORT	FEATURE COST	DUF	AMORTIZED NRC	BASIC UNEP COST *	BASIC UNEP COST+ FEATURES **	FULL UNEP COST ***
VERIZON REGIONWIDE AVERAGE		44,927	100%	\$15.00	\$2.02	\$0.004042	\$0.001016	\$0.059038	\$0.07	\$0.03	\$24.14	\$24.20	\$24.31
	HIGH State			\$24.58 West VA	\$4.42 RI	\$0.011880 RI	\$0.003211 RI	\$0.346600 ME	\$0.18 DE, NJ, WV	\$0.32 MD	\$41.74 RI	\$42.06 RI	\$42.12 RI
	LOW State			\$10.81 D.C.	\$0.79 NH	\$0.001802 PA	\$0.000249 DE, MD, NJ	\$0.000000 MA, DC, DE, MD NJ, PA, VA, WV	\$0.00 MA, NY, DC, VA	\$0.00 ME, NY, RI, VT DC, NJ, VA, WV	\$17.30 ME	\$17.35 D.C.	\$17.35 D.C.
NYNEX REGIONWIDE AVERAGE		19,487	43%	\$15.24	\$2.33	\$0.004260	\$0.002042	\$0.136107	\$0.01	\$0.01	\$26.05	\$26.18	\$26.20
	HIGH State			\$21.10 NH	\$4.42 RI	\$0.011880 RI	\$0.003211 RI	\$0.346600 ME	\$0.06 ME, NH, RI, VT	\$0.07 NH	\$41.74 RI	\$42.06 RI	\$42.12 RI
	LOW State			\$14.41 VT	\$0.79 NH	\$0.003197 ME	\$0.000917 VT	\$0.000000 MA	\$0.00 MA, NY	\$0.00 ME, NY, RI, VT	\$17.30 ME	\$17.65 ME	\$17.71 ME
BELL ATLANTIC REGIONWIDE AVG		25,439	57%	\$14.82	\$1.78	\$0.003875	\$0.000230	\$0.000000	\$0.12	\$0.06	\$22.69	\$22.69	\$22.86
	HIGH State			\$24.58 West VA	\$2.23 DE	\$0.008868 West VA	\$0.000670 West VA	n/a n/a	\$0.18 DE, NJ, WV	\$0.32 MD	\$40.29 West VA	\$40.29 West VA	\$40.46 West VA
	LOW State			\$10.81 D.C.	\$1.30 VA	\$0.001802 PA	\$0.000122 DE, MD, NJ	n/a n/a	\$0.00 DC, VA	\$0.00 DC, NJ, VA, WV	\$17.35 D.C.	\$17.35 D.C.	\$17.35 D.C.
Notes: * Basic UNEP includes loop, port, and all switching and transport ** Basic UNEP with Features adds all features to basic UNEP *** Full UNEP adds amortized NRC and DUF to Basic UNEP with Features													

NOTES



NOTES



NOTES:



Business Services

William Sutherland, Director of Research
Michael Viola(215) 282-4019
(215) 282-3874**Network Security**

Tomas Isakowitz, Ph.D.
Guojia Zhang(215) 282-4448
(215) 282-4400**Retail: Specialty & Electronics**

Richard A. Zimmerman
Ryan Zeichner(215) 282-4017
(215) 282-8016**Specialty Chemicals & Materials**

Christopher M. Crooks, CFA
Dawn G. Moehn(215) 282-4018
(215) 282-4014**Telecommunications & Broadband Services**

Anna Maria Kovacs, Ph.D.
Gregory S. Vitale
Kristin L. Burns
Wendy D. Burns(617) 576-5764
(617) 576-5764
(617) 576-5764
(617) 576-5764**Telecommunications Equipment**

William R. Becklean, CFA
Michael Kern(617) 576-5850
(617) 576-5848**Administration**

Elizabeth-Anne DeStefano

(215) 282-3877

Institutional Sales & Trading

(866) 519-6400

ICC Docket No. 01-0662
Ameritech Illinois Ex. 15.1 (Johnson)
Schedule RJJ – 2

**A SURVEY OF UNBUNDLED NETWORK ELEMENT PRICES
IN THE UNITED STATES
(Updated January 1, 2002)**

By Billy Jack Gregg
Director, Consumer Advocate Division
Public Service Commission of West Virginia

The Telecommunications Act of 1996 (the Act) envisioned three paths to local service competition: resale of an incumbent's service; overbuild of separate competitor facilities; and leasing of unbundled elements of the incumbent's network.¹ Under the Act and Federal Communications Commission (FCC) regulations, states were empowered to arbitrate disputes between carriers on the prices of unbundled network elements (UNEs).² Most states rendered initial UNE pricing decisions in the 1997-1998 time period. Subsequent FCC decisions on geographic deaveraging of UNE loop prices³ and Section 271 proceedings on regional Bell operating company (RBOC) requests to provide interLATA services have resulted in reexamination of UNE rates in many states. A number of these proceedings are still on-going.

In order to compare the results of five years of state oversight of UNE pricing, in the spring of 2001 a survey was conducted of UNE prices in all fifty states and the District of Columbia. Data contained in the survey came from state commission, FCC and RBOC web sites, supplemented with phone and e-mail contacts with state commission personnel.⁴ The UNE

¹47 USC 251.

²47 USC 252; 47 CFR ' 51.501 - 51.515.

³47 CFR ' 51.507(f); In re: Federal-State Joint Board on Universal Service, CC Docket No. 96-45, *Ninth Report and Order and Eighteenth Order on Reconsideration* (rel. Nov. 2, 1999) at paragraph 120.

⁴ A listing of useful websites is set forth at the end of this report.

prices presented in the survey are for the incumbent RBOC in each state, except where noted.⁵

This survey has been updated to incorporate changes in UNE rates and end-user charges as of January 1, 2002.

Table 1 presents the actual UNE rates and their billing basis: per line, per minute, per mile, etc. Rates are presented for unbundled loops, switching, line port and transport. Where a state has deaveraged loop prices into geographic zones, these zone prices are presented along with a statewide average loop price, if available. States which have deaveraged loop rates or have otherwise substantially changed UNE rates since the last survey update are indicated in bold type on Table 1.

State transport rates were the most difficult to present in an easily comparable manner. Transport rate structure varies widely from state to state, and the need for particular transport elements depends on the network architecture in an area served by a competitor. In order to present complete information, but at the same time reduce complexity, the transport rate column typically was limited to rates for tandem switching and common transport.

In order to translate the different rates in different states to a common basis for comparison -- in other words, to present an apples-to-apples comparison B the UNE rates for loop, switching and line port for each state were converted to monthly dollar amounts and added together to derive a monthly per line basic UNE platform (UNE-P) price.⁶ Per minute switching

⁵ A list of company acronyms used in the survey is presented in the Appendix at the end of this introduction.

⁶ While in most instances it is necessary to also purchase unbundled transport in order to have a basic UNE platform capable of supplying local service, state transport rates were too variable to reduce to monthly dollar figures. **The reader is cautioned that the total monthly UNE prices presented in Appendix 2 and Tables 2 - 4 do not contain a cost for transport.**

rates were converted to dollar amounts by assuming monthly switching usage of 1000 minutes per line. In states with on-peak/off-peak switching rates, or originating/terminating switching rates, the 1000 minutes were allocated 50/50. In states with day/evening/night switching rates, the 1000 minutes were allocated 50/30/20. In states with per call or set-up rates, it was assumed there were 100 calls per month.

Tables 2 - 4 compare the total monthly UNE price in each state to three different benchmarks of the local market in that state. **Table 2** compares the total monthly UNE price in each state to the average monthly per line revenue in that state. The per line revenue is limited to basic service revenues and end-user charges⁷ and is taken from the FCC's latest State by State Revenue Report.⁸ In the last column for each state in Table 2, the total UNE price is expressed as a percentage of the average per line revenue in that state. In states with deaveraged loop or port prices, the percentage changes for each cost zone.

Table 3 compares the total monthly UNE price in each state to the average monthly per line residential rate in that state. These residential rates are taken from the latest FCC rate survey⁹, adjusted for changes in monthly rates caused by the FCC's CALLS and MAG

⁷While it can be argued that winning a line will provide a competitor with access to all of the revenues produced by that line -- such as long distance and internet revenues B these other revenue sources were not included since costs to provide these other services were not considered in the survey.

⁸Table 5, State by State Telephone Revenues and Universal Service Data, FCC Common Carrier Bureau, IAD (April 2001); <http://www.fcc.gov/ccb/stats/STREV-99.PDF>.

⁹Table 1.3, Reference Book on Rates, Price Indices and Expenditures for Telephone Service, FCC Common Carrier Bureau, IAD (June 1999); <http://www.fcc.gov/ccb/stats/REF99.PDF>.

decisions.¹⁰ In the last column on Table 3, the total UNE price is expressed as a percentage of the residential rate in that state.¹¹

Table 4 compares the total monthly UNE price in each state to the average monthly per line business rate in that state. These business rates are also taken from the latest FCC rate survey, adjusted for CALLS and MAG. In the last column on Table 4, the total UNE price is expressed as a percentage of the business rate in that state.

Appendix 2, Page 1, shows the derivation of UNE-P prices for the RBOC in each state using average rates for loops, ports and switching.¹² Page 1 also shows the weighted national average rate for each element. The weighting is based on the number of access lines served by each RBOC. **Appendix 2, Page 2**, sorts the data shown on page 1. The average loop rates and UNE-P rates for the RBOC in each state are ranked from highest to lowest cost.

As mentioned earlier, the UNE rates presented in this survey are subject to change. At least one state B Wisconsin B still has a proceeding underway to develop deaveraged loop prices. Many other states are still working on permanent UNE rates. The expected increase in Section

¹⁰As a result of CALLS, the ceiling for residential and single-line business federal subscriber line charges (SLC) for RBOCs was increased to \$5.00 per month on July 1, 2001. The MAG Order raised the SLC for rural companies to \$5.00 per month effective January 1, 2002. Local companies were also authorized to begin charging a monthly per line fee on end users to recover contributions to the federal universal service fund (USF). This fee now averages approximately 504 per month, and is subject to quarterly adjustment. The USF surcharge and SLC for each company are shown in Appendix 1.

¹¹It should be noted that most of the cities used in the FCC's rate surveys are larger cities, typically falling in the lowest cost UNE loop zone in each state. It would be useful to augment the survey with representative residential and business rates for areas falling in the higher cost zones in each state.

¹² When weighted averages for deaveraged port and switching rates were not available for a particular state, arithmetical averages were used for that state.

271 filings during the next two years may also result in further changes in UNE prices. Since April 2001 the National Regulatory Research Institute (NRRI) has acted as a national clearinghouse for maintaining updated, accurate UNE pricing information for each of the states. State commissions that change UNE prices or that detect erroneous information in any of the tables in this survey are urged to contact Ed Rosenberg of NRRI at rosenberg.19@osu.edu or Billy Jack Gregg at bjgregg@compuserve.com.

USEFUL WEBSITES

BellSouth
Tariffs and
Notifications: <http://cpr.bellsouth.com>

BellSouth
interconnection
information: http://interconnection.bellsouth.com/become_a_clec/html/interconnection.html

Qwest SGATs: <http://www.qwest.com/about/policy/sgats>

SBC
interconnection
agreements: <https://clec.sbc.com/UNRESTR/INTERCONNECT>

Verizon-East
wholesale
resources: <http://128.11.40.241/east/wholesale/resources/resources.htm>

Links to every
state
commission
website: <http://www.naruc.org/resources/state.html>

APPENDIX 1

Acronyms Used in UNE Rate Comparisons

Companies

ACS	ACS of Fairbanks
AIT	Ameritech
ATU	ATU Telecommunications (now ACS Anchorage)
BS	BellSouth
SBC	SBC
USW	US West (now Qwest)
VZ	Verizon

Other Terms

Avg	Average
BRA	Base Rate Area
MOU	Minutes of Use

Subscriber Line Charge and Federal Universal Service Surcharge As of January 1, 2002

<u>Company</u>	<u>USF Surcharge</u>	<u>SLC</u>
ACS	\$0.34	\$5.00
AIT Illinois	\$0.35	\$4.45
AIT Indiana	\$0.39	\$5.00
AIT Michigan	\$0.38	\$5.00
AIT Ohio	\$0.38	\$5.00
AIT Wisconsin	\$0.28	\$5.00
ATU	\$0.34	\$5.00
BS	\$0.50	\$5.00
SBC	\$0.47	\$5.00
SBC California	\$0.42	\$4.40
SBC Connecticut	\$0.54	\$5.00
SBC Nevada	\$0.50	\$5.00
USW	\$0.56	\$5.00
USW Iowa	\$0.56	\$4.82
USW Minnesota	\$0.56	\$4.89
VZ	\$0.54	\$5.00
VZ DC	\$0.54	\$3.81

Weighted Average UNE Rates for RBOCs in Each State

State	Average Monthly Loop Rates	Port Rates	Switching Rates	Basic UNE-P	Access Lines
Alabama	\$19.04	\$2.07	\$1.70	\$22.81	2,008,385
Arizona	\$21.98	\$1.61	\$2.80	\$26.39	2,932,088
Arkansas	\$13.09	\$1.61	\$1.84	\$16.54	1,069,214
California	\$11.70	\$2.88	\$2.50	\$17.08	18,755,730
Colorado	\$20.65	\$1.15	\$2.83	\$24.63	2,867,692
Connecticut	\$12.49	\$3.31	\$7.15	\$22.95	2,527,459
D.C.	\$10.81	\$1.55	\$3.00	\$15.36	924,593
Delaware	\$12.05	\$2.23	\$2.78	\$17.06	598,874
Florida	\$15.81	\$1.62	\$0.88	\$18.31	6,798,389
Georgia	\$16.51	\$1.85	\$1.63	\$19.99	4,376,539
Idaho	\$25.52	\$1.34	\$2.90	\$29.76	561,707
Illinois	\$9.81	\$5.01	\$0.00	\$14.82	6,953,854
Indiana	\$8.20	\$5.34	\$3.44	\$16.98	2,285,207
Iowa	\$20.15	\$1.15	\$2.13	\$23.43	1,122,068
Kansas	\$14.04	\$1.61	\$1.84	\$17.49	1,454,785
Kentucky	\$20.00	\$2.61	\$2.56	\$25.17	1,258,957
Louisiana	\$17.31	\$2.55	\$2.10	\$21.96	2,418,203
Maine	\$17.53	\$2.04	\$5.48	\$25.05	724,630
Maryland	\$14.50	\$1.90	\$3.80	\$20.20	3,924,291
Massachusetts	\$14.98	\$2.00	\$3.30	\$20.28	4,527,199
Michigan	\$10.15	\$2.53	\$1.19	\$13.87	5,436,081
Minnesota	\$17.87	\$1.08	\$1.81	\$20.76	2,354,431
Mississippi	\$21.26	\$2.11	\$2.38	\$25.75	1,356,519
Missouri	\$15.19	\$2.11	\$2.19	\$19.49	2,749,726
Montana	\$27.41	\$1.45	\$2.90	\$31.76	381,611
Nebraska	\$15.79	\$1.37	\$4.13	\$21.29	510,773
Nevada	\$19.83	\$1.63	\$1.61	\$23.07	389,199
New Hampshire	\$17.99	\$2.22	\$7.92	\$28.13	801,344
New Jersey	\$9.52	\$0.73	\$2.64	\$12.89	6,692,681
New Mexico	\$20.50	\$1.38	\$1.11	\$22.99	860,898
New York	\$11.49	\$2.50	\$2.75	\$16.74	11,869,385
North Carolina	\$15.88	\$2.19	\$1.70	\$19.77	2,594,816
North Dakota	\$19.75	\$1.27	\$2.50	\$23.52	215,193
Ohio	\$7.01	\$4.63	\$3.23	\$14.87	4,103,686
Oklahoma	\$14.84	\$2.25	\$2.86	\$19.95	1,737,875
Oregon	\$15.00	\$1.26	\$1.33	\$17.59	1,451,229
Pennsylvania	\$13.81	\$2.67	\$1.71	\$18.19	6,395,835
Rhode Island	\$13.93	\$4.15	\$2.74	\$20.82	660,645
South Carolina	\$17.60	\$1.65	\$1.05	\$20.30	1,528,085
South Dakota	\$21.09	\$1.84	\$3.47	\$26.40	276,180
Tennessee	\$14.92	\$1.89	\$0.80	\$17.61	2,754,858
Texas	\$14.15	\$2.90	\$2.12	\$19.17	10,369,492
Utah	\$16.46	\$0.94	\$2.62	\$20.02	1,152,656
Vermont	\$14.41	\$1.03	\$4.00	\$19.44	360,411
Virginia	\$13.60	\$1.30	\$3.10	\$18.00	3,681,236
Washington	\$18.16	\$1.34	\$1.20	\$20.70	2,587,662
West Virginia	\$24.58	\$1.60	\$7.24	\$33.42	871,569
Wisconsin	\$10.90	\$3.71	\$3.45	\$18.06	2,186,698
Wyoming	\$25.65	\$1.53	\$3.75	\$30.93	258,704
TOTAL	\$13.91	\$2.42	\$2.36	\$18.68	144,679,342

Loop and UNE-P Rates for RBOCs in Each State
Sorted by Weighted Average Rates

<u>State</u>	<u>Average Monthly Loop Rates</u>	<u>State</u>	<u>Average Monthly UNE-P Rates</u>
Montana	\$27.41	West Virginia	\$33.42
Wyoming	\$25.65	Montana	\$32.72
Idaho	\$25.52	Wyoming	\$30.93
West Virginia	\$24.58	Idaho	\$29.76
Arizona	\$21.98	New Hampshire	\$28.13
Mississippi	\$21.26	South Dakota	\$26.40
South Dakota	\$21.09	Arizona	\$26.39
Colorado	\$20.65	Mississippi	\$25.75
New Mexico	\$20.50	Kentucky	\$25.17
Iowa	\$20.15	Maine	\$25.05
Kentucky	\$20.00	Colorado	\$24.63
Nevada	\$19.83	North Dakota	\$23.52
North Dakota	\$19.75	Iowa	\$23.43
Alabama	\$19.04	Nevada	\$23.07
Washington	\$18.16	New Mexico	\$22.99
New Hampshire	\$17.99	Connecticut	\$22.95
Minnesota	\$17.87	Alabama	\$22.81
South Carolina	\$17.60	Louisiana	\$21.96
Maine	\$17.53	Nebraska	\$21.29
Louisiana	\$17.31	Rhode Island	\$20.82
Georgia	\$16.51	Minnesota	\$20.76
Utah	\$16.46	Washington	\$20.70
North Carolina	\$15.88	South Carolina	\$20.30
Florida	\$15.81	Massachusetts	\$20.28
Nebraska	\$15.79	Maryland	\$20.20
Missouri	\$15.19	New York	\$20.06
Oregon	\$15.00	Utah	\$20.02
Massachusetts	\$14.98	Georgia	\$19.99
Tennessee	\$14.92	Oklahoma	\$19.95
Oklahoma	\$14.84	North Carolina	\$19.77
New York	\$14.81	Missouri	\$19.49
Maryland	\$14.50	Vermont	\$19.44
Vermont	\$14.41	Texas	\$19.17
US Average	\$14.18	US Average	\$18.95
Texas	\$14.15	Florida	\$18.31
Kansas	\$14.04	Pennsylvania	\$18.19
Rhode Island	\$13.93	Wisconsin	\$18.06
Pennsylvania	\$13.81	Virginia	\$18.00
Virginia	\$13.60	Tennessee	\$17.61
Arkansas	\$13.09	Oregon	\$17.59
Connecticut	\$12.49	Kansas	\$17.49
Delaware	\$12.05	California	\$17.08
California	\$11.70	Delaware	\$17.06
Wisconsin	\$10.90	Indiana	\$16.98
D.C.	\$10.81	Arkansas	\$16.54
Michigan	\$10.15	D.C.	\$15.36
Illinois	\$9.81	Ohio	\$14.87
New Jersey	\$9.52	Illinois	\$14.82
Indiana	\$8.20	Michigan	\$13.87
Ohio	\$7.01	New Jersey	\$12.89